

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
FOUNDATION AND SUBSIDIARY
AND
ASSOCIATED NEIGHBORHOOD DEVELOPMENT, INC.**

**COMBINED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNT**

DECEMBER 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/7/11

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
FOUNDATION AND SUBSIDIARY
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Justin J. Scanlan, C.H.A., F.D.C.

A LIMITED LIABILITY COMPANY

4789 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
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INDEPENDENT AUDITOR'S REPORT

Board of Directors

New Orleans Neighborhood Development Foundation and Subsidiary
and Associated Neighborhood Development, Inc.

We have audited the accompanying combined statement of financial position of New Orleans Neighborhood Development Foundation and Subsidiary and Associated Neighborhood Development, Inc. (non-profit corporations), as of December 31, 2010, and the related combined statements of activities and cash flows for the year then ended. These financial statements are the responsibility the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's 2009 financial statements and, in our report dated May 11, 2010, we express an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of New Orleans Neighborhood Development Foundation and Subsidiary and Associated Neighborhood Development, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 25, 2011, on our consideration of New Orleans Neighborhood Development Foundation and Subsidiary and Associated Neighborhood Development, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
May 25, 2011

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
FOUNDATION AND SUBSIDIARY
AND
ASSOCIATED NEIGHBORHOOD DEVELOPMENT, INC.**

COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

ASSETS

		TOTAL MEMORANDUM ONLY <u>December 31, 2009</u>
Cash	\$ 666,049	\$ 517,338
Certificates of deposit	135,978	132,375
Investments (Notes A4 and B)	233,453	221,809
Receivables		
Grants (Notes A5 and C)	336,373	143,876
Other	<u>2,199</u>	<u>-</u>
	<u>338,572</u>	<u>143,876</u>
Prepaid expenses and deposits	-	3,700
Real Estate Held for Resale (Notes A6 and E)	1,550,172	964,844
Property and equipment-at cost (Notes A7 and D)	<u>1,045,370</u>	<u>971,254</u>
Total assets	<u>\$ 3,969,594</u>	<u>\$ 2,955,196</u>

LIABILITIES AND NET ASSETS

Notes payable (Note E)	\$ 1,622,987	\$ 786,310
Accounts payable and accrued liabilities	<u>204,933</u>	<u>69,762</u>
Total liabilities	<u>1,827,920</u>	<u>856,072</u>
Net assets		
Unrestricted	1,949,688	1,883,737
Temporarily restricted (Note I)	<u>191,986</u>	<u>215,387</u>
Total net assets	<u>2,141,674</u>	<u>2,099,124</u>
Total liabilities and net assets	<u>\$ 3,969,594</u>	<u>\$ 2,955,196</u>

The accompanying notes are an integral part of this financial statement.

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
FOUNDATION AND SUBSIDIARY
AND
ASSOCIATED NEIGHBORHOOD DEVELOPMENT, INC.**

COMBINED STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>TOTAL MEMORANDUM ONLY For the year ended December 31, 2009</u>
REVENUE				
Grant appropriations				
Governmental	\$ -	\$ 575,902	\$ 575,902	\$ 957,181
Other	-	163,229	163,229	126,999
Contributions	109,722	-	109,722	313,664
Real Estate Sales	683,354	-	683,354	-
Fees	81,224	-	81,224	19,472
Investment income (Note B)	16,461	-	16,461	20,869
Fund-raising, net of direct expenses of \$4,098	81,114	-	81,114	72,239
Other	14,320	-	14,320	36,098
Net assets released from restrictions	<u>762,532</u>	<u>< 762,532 ></u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,748,727</u>	<u>< 23,401 ></u>	<u>1,725,326</u>	<u>1,546,522</u>
EXPENSES				
Program services				
Affordable housing program	<u>1,446,917</u>	<u>-</u>	<u>1,446,917</u>	<u>618,328</u>
Total program services	<u>1,446,917</u>	<u>-</u>	<u>1,446,917</u>	<u>618,328</u>
Supportive services				
Management and general	203,682	-	203,682	206,952
Fundraising	<u>32,177</u>	<u>-</u>	<u>32,177</u>	<u>17,895</u>
Total supportive services	<u>235,859</u>	<u>-</u>	<u>235,859</u>	<u>224,847</u>
Total expenses	<u>1,682,776</u>	<u>-</u>	<u>1,682,776</u>	<u>843,175</u>
Increase <decrease> in net assets	65,951	< 23,401 >	42,550	703,347
Net assets, beginning of year	<u>1,883,737</u>	<u>215,387</u>	<u>2,099,124</u>	<u>1,395,777</u>
Net assets, end of year	<u>\$ 1,949,688</u>	<u>\$ 191,986</u>	<u>\$ 2,141,674</u>	<u>\$ 2,099,124</u>

The accompanying notes are an integral part of this financial statement.

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
FOUNDATION AND SUBSIDIARY
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COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended December 31, 2010

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>	<u>TOTAL</u>
	<u>Affordable Housing Program</u>	<u>Management and General</u>	<u>Fundraising</u>		<u>For the year ended December 31, 2009</u>
Salaries	\$ 223,689	\$ 82,628	\$ 22,614	\$ 328,931	\$ 323,488
Fringe benefits	50,110	13,263	5,202	68,575	55,193
Travel	-	8,695	-	8,695	5,257
Professional fees	120,826	25,565	-	146,391	186,331
Construction costs	873,203	-	-	873,203	-
Operating services	14,803	4,969	579	20,351	10,976
Occupancy	19,153	3,313	-	22,466	55,329
Supplies	15,107	2,155	889	18,151	17,785
Insurance	22,361	13,111	-	35,472	23,012
Interest	30,524	16,678	-	47,202	29,330
Equipment expense	30,319	23,656	1,898	55,873	59,497
Training	1,287	-	-	1,287	6,310
Other costs	<u>45,535</u>	<u>9,649</u>	<u>995</u>	<u>56,179</u>	<u>70,667</u>
Total expenses	<u>\$ 1,446,917</u>	<u>\$ 203,682</u>	<u>\$ 32,177</u>	<u>\$ 1,682,776</u>	<u>\$ 843,175</u>

The accompanying notes are an integral part of this financial statement.

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
FOUNDATION AND SUBSIDIARY
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COMBINED STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

Increase <decrease> in cash and cash equivalents

Cash flows from operating activities:

Increase in net assets		\$ 42,550
Adjustments to reconcile increase in net assets to net assets provided by operating activities:		
Depreciation	\$ 37,996	
Unrealized appreciation of investment securities	< 4,375>	
Changes in assets and liabilities:		
Increase in grants receivable	< 192,497>	
Increase in other receivables	< 2,199>	
Decrease in prepaid expenses and deposits	3,700	
Increase in accounts payable and accrued liabilities	<u>135,171</u>	<u>< 22,204></u>
Net cash provided by operating activities		<u>20,346</u>

Cash flows from financing activities:

Proceeds from notes payable	2,472,117
Principal payments of notes payable	<u>< 1,635,440></u>
Net cash provided by financing activities	<u>836,677</u>

Cash flows from investing activities:

Purchase of certificates of deposit	< 3,603>
Purchase of investment securities	< 7,269>
Development of Real Estate Held for Resale	< 585,328>
Capitalization of building improvements	< 95,945>
Acquisition of equipment	<u>< 16,167></u>
Net cash used in investing activities	<u>< 708,312></u>

Net increase in cash and cash equivalents 148,711

Cash and cash equivalents, beginning of year 517,338

Cash and cash equivalents, end of year \$ 666,049

Cash flow information:

Interest Paid \$ 47,202

The accompanying notes are an integral part of this financial statement.

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
FOUNDATION AND SUBSIDIARY
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

The New Orleans Neighborhood Development Foundation ("the Foundation") was incorporated under the laws of the State of Louisiana on April 15, 1986. Its mission is to help low and moderate income families become homeowners, with the specific aim of placing at least 100 low and moderate income families in their own homes each year.

Associated Neighborhood Development, Inc. (AND), was organized on September 16, 1996 as a Louisiana corporation. The operations of AND consist of building and selling houses.

NDF Development, LLC, of which the Foundation is the sole member, was organized on September 11, 2001 as a Louisiana limited liability company. The operations of NDF Development, LLC, consist of building and selling houses. There were no material transactions for the year ended December 31, 2010.

2. Financial Statement Presentation

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the corporation are reclassified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the corporation and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that the corporation maintains them permanently. Generally, the donors of these assets permit the corporation to use all or part of the income earned on related investments for general or specific purposes.

There were no permanently restricted net assets.

The combined financial statements include the accounts of the Foundation and AND. They are affiliated by virtue of common management. All intercompany transactions have been eliminated in combination.

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Revenue Recognition

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends on purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Grant revenue is recognized as it was earned in accordance with approved contracts.

Real estate sales are recognized on the full accrual method and are recognized at the time the sales are completed and all risks and rewards of ownership have been transferred to the buyer.

4. Investments

Investments are presented in accordance with requirements established by FASB ASC 320. Under FASB ASC 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets.

5. Receivables

The corporation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Real Estate Held for Resale

Real Estate Held for Resale is carried at cost or at the fair value as of the dates the real estate was donated, not to exceed estimates of net realizable value determined on an individual project basis. The real estate has been acquired to be rehabilitated in accordance with government contracts and sold to qualified program participants.

7. Property and equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method. Depreciation expense for the year ended December 31, 2010 totaled \$37,996.

It is the policy of the corporation to capitalize all property, furniture and equipment with an acquisition cost in excess of \$5,000.

8. Cash equivalents

For purposes of the statement of cash flows, the corporation considers all demand deposit accounts and investments with original maturities of three months or less to be cash equivalents.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

10. Fair Values of Financial Instruments

Cash, cash equivalents, and temporary investments carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments. The fair values of marketable securities are based on quoted market prices for those or similar investments.

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
FOUNDATION AND SUBSIDIARY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Functional Allocation of Expenses

The expenses of providing the program and other activities have been summarized on a functional basis in the statement of functional expenses. Certain of those expenses have been allocated among the program and supporting services benefited based on estimates by management of the costs involved.

12. Subsequent Events

The subsequent events of the corporation were evaluated through the date the financial statements were available to be issued (May 25, 2011).

13. Total Memorandum Only Columns of Combined Statements

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position, results of operations or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE B – INVESTMENTS

Investments consist of the following as of December 31, 2010:

	<u>Cost</u>	<u>Fair Market Values</u>
Money market accounts	\$ 156,550	\$ 156,519
Mutual Funds	<u>81,670</u>	<u>76,934</u>
	<u>\$ 238,220</u>	<u>\$ 233,453</u>

The unrealized appreciation for the year ended December 31, 2010 totaled \$4,375. The unrealized depreciation as of December 31, 2010 totaled \$4,767.

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
FOUNDATION AND SUBSIDIARY
AND
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE B – INVESTMENTS - CONTINUED

Investment income consists of the following as of December 31, 2010:

Interest income	\$ 7,637
Dividend income	4,449
Unrealized appreciation of investment securities	<u>4,375</u>
	<u>\$ 16,461</u>

NOTE C – GRANT RECEIVABLES

The grant receivables consist of the following as of December 31, 2010:

City of New Orleans	\$ 320,723
The Housing Partnership Network, Inc.	<u>15,650</u>
	<u>\$ 336,373</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2010:

Building	\$ 263,427
Building improvements	757,623
Office furniture and equipment	<u>80,142</u>
	1,101,192
Less accumulated depreciation	<u>< 100,822 ></u>
	1,000,370
Land	<u>45,000</u>
	<u>\$ 1,045,370</u>

NOTE E – NOTES PAYABLE

Notes payable consist of the following as of December 31, 2010:

Note payable – non-profit corporation, dated October 15, 2010, bearing interest rate of 3%, payable in quarterly interest installments for the first year, and then monthly installments of \$2,897, maturing November 30, 2020.	
Note payable secured by building costing \$1,066,050.	\$ 300,000

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE E – NOTES PAYABLE – CONTINUED

Note payable – financial institution, dated December 31, 2008, bearing interest rate of 5%. Construction loan for the Hoffman Triangle Project, maturing November 16, 2017. Loan secured by grant award letters from the City of New Orleans and Louisiana Housing Finance Agency totaling \$1,346,400. The loan is secured by the real estate of the Hoffman Triangle Project costing \$1,550,172.

\$ 675,301

Note payable to Louisiana Housing Finance Agency (LHFA) under the Louisiana Housing Trust Fund Act. A construction loan for 12 homes meeting the guidelines established by the LHFA. If the corporation satisfies all the criteria established by the LHFA, the loan may be classified as a grant at the completion of the project.

647,686
\$1,622,987

The aggregate maturities of the notes payable subsequent to the year ended December 31, 2010 are as follows:

**Year ended
December 31**

2011	\$ 1,327,286
2012	26,250
2013	27,048
2014	27,871
2015	31,151
Thereafter	<u>183,381</u>
	<u>\$1,622,987</u>

NOTE F – RETIREMENT ARRANGEMENT

The Foundation has a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees of the Foundation. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Foundation made no contributions for the year ended December 31, 2010.

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
FOUNDATION AND SUBSIDIARY
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE G – INCOME TAXES

The New Orleans Neighborhood Development Foundation and the Associated Neighborhood Development, Inc. are exempt from corporate income taxes under the Internal Revenue Code. They are exempt under Section 501(c)(3) of the Internal Revenue Code.

NOTE H – BOARD OF DIRECTOR'S COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at December 31, 2010 consist of the following:

Louisiana Disaster Recovery Foundation	<u>\$ 191,986</u>
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NOTE J – FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 820-10 requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair value. Financial instruments within the scope of FASB ASC 820-10 are included in the table below.

		<u>Fair Value Measurement of Reporting Date</u>		
		<u>Quoted Prices</u>		
		<u>in Active</u>	<u>Significant</u>	<u>Significant</u>
		<u>Markets for</u>	<u>Other</u>	<u>Unobservable</u>
		<u>Identical</u>	<u>Observable</u>	<u>Inputs</u>
		<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Certificates of deposit	\$ 135,978	\$ 135,978	\$ -	\$ -
Money market accounts	156,519	156,519	-	-
Mutual funds	<u>76,934</u>	<u>76,934</u>	<u>-</u>	<u>-</u>
	<u>\$ 369,431</u>	<u>\$ 369,431</u>	<u>\$ -</u>	<u>\$ -</u>

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010

NOTE J – FAIR VALUE MEASUREMENT - CONTINUED

The assumptions to estimate fair values are as follows:

1. Certificates of deposit carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
2. The fair market value of mutual funds are based on quoted market prices for those or similar investments. The fair value of the closely-held corporate stock is undeterminable and negligible.

The fair value of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate book value at December 31, 2010 due to the short-term nature of these accounts.

SUPPLEMENTAL INFORMATION

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
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COMBINING STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION	ASSOCIATED NEIGHBORHOOD DEVELOPMENT, INC.	TOTAL
REVENUE			
Grant appropriations	\$ 457,222	\$ 281,909	\$ 739,131
Contributions	98,575	11,147	109,722
Investment income	16,461	-	16,461
Real estate sales	-	683,354	683,354
Fund-raising, net	81,114	-	81,114
Other	<u>35,134</u>	<u>60,410</u>	<u>95,544</u>
Total revenues	<u>688,506</u>	<u>1,036,820</u>	<u>1,725,326</u>
EXPENSES			
Salaries	291,531	37,400	328,931
Fringe benefits	65,714	2,861	68,575
Travel	7,895	800	8,695
Professional fees	83,893	62,498	146,391
Construction costs	-	873,203	873,203
Operating services	18,279	2,072	20,351
Occupancy	21,281	1,185	22,466
Supplies	17,773	378	18,151
Insurance	15,425	20,047	35,472
Interest	16,678	30,524	47,202
Equipment expense	51,603	4,270	55,873
Training	1,287	-	1,287
Other costs	<u>48,928</u>	<u>7,251</u>	<u>56,179</u>
Total expenses	<u>640,287</u>	<u>1,042,489</u>	<u>1,682,776</u>
 Increase <decrease> in net assets	 48,219	 < 5,669>	 42,550
Net assets, beginning of year	<u>1,289,345</u>	<u>809,779</u>	<u>2,099,124</u>
Net assets, end of year	<u>\$ 1,337,564</u>	<u>\$ 804,110</u>	<u>\$ 2,141,674</u>

Justin J. Scanlan, C.P.A., F.T.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors

New Orleans Neighborhood Development Foundation and Subsidiary
and Associated Neighborhood Development, Inc.

We have audited the financial statements of New Orleans Neighborhood Development Foundation and Subsidiary and Associated Neighborhood Development, Inc. (nonprofit corporations) as of and for the year December 31, 2010, and have issued our report thereon dated May 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the New Orleans Neighborhood Development Foundation and Subsidiary and Associated Neighborhood Development, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New Orleans Neighborhood Development Foundation and Subsidiary and Associated Neighborhood Development, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the New Orleans Neighborhood Development Foundation and Subsidiary and Associated Neighborhood Development, Inc.'s internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Orleans Neighborhood Development Foundation and Subsidiary and Associated Neighborhood Development, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
May 25, 2011

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT
FOUNDATION AND SUBSIDIARY
AND
ASSOCIATED NEIGHBORHOOD DEVELOPMENT, INC.**

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended December 31, 2010

A. SIGNIFICANT DEFICIENCY

There were no significant deficiencies for the year ended December 31, 2010.

B. QUESTIONED COSTS

There were no questioned costs for the year ended December 31, 2010.

C. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.